[Mr. S. Narayana Aiyar.]

Fully aware as the Government are, that this substantial increase in the revenue surplus is, to a large extent, due to the operation of circumstances connected directly or indirectly with the war conditions, they have decided to transfer the entire surplus to the Revenue Reserve and Post-war Reconstruction Funds to be drawn upon only for financing schemes of public utility and reconstruction measures.

6. Our capital programme for the year 1119 which was estimated to work up to Rs. 60·65 lakhs is expected actually to stand at Rs. 56·74 lakhs only, on account of the difficulty in getting materials from abroad.

BUDGET ESTIMATES FOR 1120.

7. I shall now deal with the ensuing year. The total revenue estimates from the existing sources amount to Rs 507·19 lakhs, as compared with the revised estimates of Rs 489·41 lakhs for the current year. Though, on the basis of the relation between the budget estimates and the revised estimates for the current year and keeping in view the upward trend of prices and the increasing demand for our goods, we might have reasonably estimated a revenue of about Rs 6 crores for the coming year, we have in a spirit of conservatism pitched our estimates deliberately low. The increase in revenue as compared with the revised estimates for the current year, is to a certain extent, uniformly spread over all the important revenue-yielding items, but is most conspicuous under Excise and Taxes on Income, the former, due to the increasing consumption of country liquor, as a result of the enhanced spending power of the labouring classes and the latter, on account of the growing economic prosperity of the 'business' classes, As a check against the increasing consumption of country liquor,-arrack, etc., Government have increased the duty on these and enhanced their supply prices. With the prospect of our revenues from the ordinary sources reaching beyond Rs 5 crores, it is hardly necessary to resort to any new taxation for augmenting our resources and it is not proposed to levy any new tax or to enhance the rates of any of the existing taxes, except to impose a tax on excess profits. This, the House will, it is hoped, appreciate, is not meant so much as a source of revenue as a necessary step in furtherance of our anti-inflationary measures and necessitated by the importance of achieving uniformity of policy with the Central Government and the leading Indian States.

8. The Excess Profits Tax is in the nature of a temporary tax related to abnormal conditions created by the war. The imposition of Excess Profits Tax by the State in cases of emergency has enough justification both from the administrative and economic points of view. The levy of this tax is in the first place a method of equalising the burden of taxation on the nation during exceptional times, such as the war and secondly prevents the concentration of wealth in the hands of a few, especially when many in the country have to sacrifice even their

LIBRARY ARCHIVES Kerala Legislative Assembly

ordinary necessities of life in times of emergency. Excess Profits Tax was levied in British India during the last war and is again being charged in British India and the United Kingdom during this war. This is not therefore a new tax.

The Excess Profits Tax is leviable only on such profits as are in excess of the profits of the pre-war standard period and have accrued during the chargeable accounting period. Like incometax, it is not chargeable on all incomes, profits or gains from whatever source arising. This tax will not apply to agricultural incomes or to other receipts not chargeable to tax under the provisions of the Travancore Income Tax Act. It differs from income tax in that it is chargeable, not on all or total income, but only on profits arising from certain businesses. The tax leviable is a percentage of the excess profits. If the excess profits do not exceed Rs 36,000, no question of liability to excess profits tax arises at all. The revenue realised from this source will not be appropriated for the ordinary expenditure on running the administrative machinery, but will be ear-marked for expenditure on post-war reconstruction schemes. It is expected that the levy of the tax will bring in a revenue of about Rs 25 lakhs, which will raise our total revenues for the next year to Rs 532·19 lakhs, a peak figure never reached in the history of the finances of the State, leaving us with a revenue surplus of Rs 103·36 lakhs after providing for an ordinary expenditure of Rs 428·83 lakhs charged to revenue. Out of this surplus of Rs 103·36 lakhs, a sum of Rs 32·5 lakhs is proposed to be immediately utilised for post-war reconstruction works and the balance of Rs 70·86 lakhs will be credited to the Post-War Reconstruction Fund to be drawn up on in future.

The question may reasonably be raised by the House, why, with the prospects of such a favourable revenue realisation, the Government went to the market for raising a loan towards the close of this year. I may inform the House that the loan was issued, not because Government apprehended any fall in their revenues with the possible liability of a deficit budget, but with a view primarily to absorb the accumulating surplus of purchasing power and to provide an effective check on inflationary tendencies that have recently been in evidence in the State and also to provide adequate finances for the implementing of the post-war reconstruction schemes, such as the establishment of basic, heavy and subsidiary industries, improvement of agriculture by reclamation, as also to finance, for the time being and if found absolutely necessary, the Food Grains purchase programme of the Government. The fact that even within the State, the loan was oversubscribed within five minutes of its opening is, the Honourable members will not deny, a clear indication of the inflationary tendencies in the State. As a further step towards the effective checking of such inflationary tendencies and as a means of sound investment for the smaller investors, especially to the agriculturists, to whom an opportunity has to be given for saving, when they could, having regard to the

LIBRARY ARCHIVES Kerala Legislative Assembly

[Mr. S. Narayana Aiyar.]

fluctuating economic conditions, Government have sanctioned the introduction in the State, of the counterpart of the Small Savings Scheme of the Government of India.

9. I shall now turn to the expenditure side. But before I proceed to explain to the House the details of our programme of expenditure for the next year, I wish to keep the House informed of certain radical changes in the general principles of budgeting which have been adopted in framing the next year's programme. Hitherto, it had been the practice to fix the programme of expenditure for a year primarily with reference to the anticipated revenue realisations of that year only, In other words, we were having only what may be termed budgets for a year. But, having special regard to the present conditions which demand our taking up expensive programmes under the post-war reconstruction schemes which cannot possibly be completed in a single year, but must necessarily be carried on for longer terms and in view of the possible fluctuations in our revenue under war conditions, it is proposed to adopt a three year plan, particularly in financing such schemes. The usual system of budgeting on a single year basis has, however, been followed in estimating the receipts and providing for the normal expenditure on running the routine of administration. It is also proposed that, with a view to avoid rush of expenditure towards the close of the year, the unspent balances of the year may be carried over to the succeeding year's allotment for expenditure during that year.

Keeping these principles in view, account has been taken of our probable receipts during the next three years with due reference, also in that connection, to the possible shrinkage of revenue on the termination of hostilities. It is expected that even on a most conservative basis 14 crores of rupees will be coming into our coffers during the next triennium. Even granting that the normal expenditure on administration during the period will take up Rs. 10½ crores on an average of Rs. 3·5 crores a year, there will still be a balance of Rs. 3½ crores which, with the recent loan of Rs. 3 crores and the revenue surpluses of previous years, which stand credited to our Reserve Funds, will make available to us between Rs 7 and 8 crores for the financing of the post-war reconstruction schemes on a three year basis.

On these considerations, the activities of the various departments of Government have been viewed either as normal activities or post-war activities and funds provided in the next year's budget, both for running the routine administration as well as for implementing the provisions of the post-war reconstruction scheme. The variations between the revised estimates for the current year and the budget estimates for the next year are, as usual, explained in the Budget Memorandum wherever such explanation is necessary. In regard to the normal activities, the departments which have been given precedence are the Public works, Agriculture, Industries, Education and Medical. The Public Works Department has come in for the first place, as no post-war development can ever be possible without an efficient system

LIBRARY ARCHIVES Kerala Legislative Assembly

of transport within the State. This will explain why a provision of Rs. 73·43 lakhs has been made in the next year's budget as against only Rs. 43·86 lakhs in the revised estimates for the current year.

POST-WAR RECONSTRUCTION.

10. I shall now attempt to give the House an idea of our post-war reconstruction scheme, without which no account of the next year's programme of expenditure can ever be regarded as complete. The programme of post-war re-construction so ably drawn up by you, Sir, is characteristically comprehensive. Aimed at developing all the natural resources of the State and their latent potentialities, the Scheme overlooks very few possibilities. In addition to what may be called the basic schemes for the expansion of education and of the State's Hydro-Electric resources, the programme includes, within its scope, a project for the manufacture of fertilisers and heavy chemicals, schemes for the promotion and enlargement of industries like Aluminium and Rubber products, not to speak of our cottage industries, the exploitation of the valuable mineral sands of the State and of the soft and hard wood resources of our forests for the production of plywood and ultimately rayon and artificial silk, the co-ordination of transport and the inauguration of machine tool industries for the manufacture of spare parts for the State Transport motor vehicles Ambitious though these schemes may appear to a pessimist, they are well within the realm of practical achievement; for the country has abundance of natural resources to be exploited on, a large capital reserve for financing such schemes and last, but not least, an organising genius in you, Sir, able and willing to plan and execute any scheme of development. The scheme is proposed to be worked out in co-ordination with the Government of India who have already circularised this Government as to our post-war reconstruction programme. Government have already appointed four Sub-Committees within the Post-war Reconstruction Committee for reporting on the preliminaries to be fixed up for implementing the provisions of the scheme.

The various works which form the component parts of the whole scheme may be grouped under four broad, basic sub-divisions. These groups are works for the development of Hydro-Electric power, programme in furtherance of post-war industrial development, development of agriculture and fisheries including deep sea fishing and increased production of food stuffs as also the co-ordination of transport facilities. The works are proposed to be carried out through the agency of the Public Works, Industries, Agriculture, Electricity, Fisheries and Forest Departments. The Public Works Department will be in charge of the works in connection with irrigation, road construction, canal improvement, backwaters reclamation, coastal navigation and improvement of Ports, Aerodrome and Town planning scheme. The Electricity Department will, for the present, attend to the development of our Hydro-Electric resources by completing the

LIBRARY ARCHIVES Kerala Legislative Assembly